

## Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 L-03 H-03 AGR-20 DODE-00 PA-04 USIA-15 PRS-01

CU-05 IO-14 SAJ-01 NIC-01 DRC-01 EA-11 NEA-14 PM-07

DPW-01 /240 W

----- 041760

R 081220Z JUL 74

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 1575

INFO AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW (BY POUCH)

AMEMBASSY PRAGUE (BY POUCH)

AMEMBASSY SOFIA (BY POUCH)

AMEMBASSY WARSAW (BY POUCH)

C O N F I D E N T I A L SECTION 1 OF 2 BUDAPEST 1771

E.O. 11652: GDS

TAGS: HU, US, ECON, PFOR, PINT

SUBJ: QUARTERLY REPORT ON MAJOR ECONOMIC AND  
POLITICAL TRENDS -- PART 1 OF 2 PARTS

REF: BUDAPEST 1768

1. INTERNAL POLITICAL DEVELOPMENTS: THERE IS EVERY REASON  
TO BELIEVE THAT KADAR REMAINS FULLY IN CONTROL OF PARTY  
MACHINERY, ALTHOUGH RECURRENT RUMORS OF MANY YEARS STANDING  
RE HIS RETIREMENT PERSISTS. HOWEVER, IT IS CLEAR HE WILL  
REMAIN AT LEAST UNTIL THE NEW PARTY CONGRESS (MARCH 1975)  
AND WE THINK HE PROBABLY WILL STAY ON EVEN AFTER THAT.  
PERSONNEL CHANGES ANNOUNCED SINCE CC SESSION IN MARCH  
HAVE BROUGHT IN YOUNGER MEN, ON BALANCE PERHAPS SOME-  
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WHAT MORE CONSERVATIVE BUT ALL BELIEVED TO BE LOYAL TO

KADAR. WHILE NEMETH CLEARLY MOVED FARTHER UP LADDER IN APRIL, MANY HUNGARIANS SAY HE IS NOT INTELLIGENT ENOUGH TO BECOME FIRST SECRETARY AND IT IS TOO EARLY TO SAY THAT THERE HAS DEVELOPED AN OBVIOUS HEIR-APPARENT TO KADAR. MOST FREQUENTLY MENTIONED AS CONTENDERS ARE NEMETH; BELA BISZKU, AN OLD KADAR CRONY, WITH OPPOSITION FOR BEING TOO PRO-SOVIET; AND ARPAD PULLAI, AMBITIOUS OPPORTUNIST WHO IS APPARENTLY WIDELY DISLIKED WITHIN PARTY. SINCE FORMER CC FOREIGN AFFAIRS BOSS ZOLTAN KOMOCSIN DIED IN JUNE, PULLAI IS NOMINALLY IN CHARGE OF FOREIGN POLICY IN PARTY AND WILL BE UNTIL PARTY CONGRESS NEXT YEAR. HOWEVER, NEW POLITBURO MEMBER MIKLOS OVARI, A CLOSE ASSOCIATE OF KADAR'S, IS MOVING IN ON THE SCENE. IN JUNE CC APPOINTED JANOS BEREZ AS NEW CHIEF OF INTERNATIONAL RELATIONS DEPARTMENT OF PARTY SECRETARIAT. HE IS RELATIVELY UNKNOWN BUT HAS A REPUTATION AS A CONSERVATIVE. BETWEEN NOW AND 11TH PARTY CONGRESS ADDITIONAL PERSONNEL CHANGES MAY BE ANNOUNCED BUT WE DO NOT EXPECT MAJOR POLITICAL SHIFTS BEFORE THAT TIME.

2. CULTURAL-EDUCATIONAL CHANGES: IN A MOVE UNDOUBTEDLY CONNECTED WITH ACZEL'S APPOINTMENT AS A DEPUTY PM WITH RESPONSIBILITY OVER EDUCATION AND CULTURE, FORMER MINISTRY OF EDUCATION AND CULTURE DIVIDED INTO TWO. KAROLY POLINSZKY (FORMER HEAD OF BOTH) APPOINTED EDUCATION MINISTER AND LASZLO ORBAN (HIS FORMER DEPUTY) AS CULTURE MINISTER. DIVISION OF EDUCATION AND CULTURE MINISTRY HERALDS FUTURE DEVELOPMENTS IN CONNECTION WITH CC DECISIONS ON RAISING EDUCATIONAL LEVEL OF WORKERS AND INCREASING IDEOLOGICAL WORK. IN CULTURAL FIELD THERE HAS BEEN NO OBVIOUS TIGHTENING UP AS A RESULT OF MARCH CC SESSION, BUT SOME UNCERTAINTY IS APPARENT AMONG PEOPLE IN THIS AREA. MORE LIP SERVICE NOW PAID TO IDEOLOGICAL ORTHODOXY AND NEED FOR GREATER UNITY IN "SOCIALIST" CAMP, PROBABLY REFLECTING UNIFIED WP RESPONSE TO THREAT POSED BY DETENTE AND WESTERN PROPOSALS AT CSCE. AS ELSEWHERE IN WP AREA HUNGARY IS CAUGHT UP IN CONFLICTING REQUIREMENTS OF DETENTE AND INCREASED IDEOLOGICAL TIGHTENING UP. SO FAR, HOWEVER, PREVAILING UNCERTAINTY

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HAS NOT RESULTED IN ANY VISIBLE MAJOR SHIFTS IN POLICY.

3. FOREIGN POLICY -- GENERAL: THERE WERE NO NEW DEPARTURES FROM ESTABLISHED HUNGARIAN FOREIGN POLICY IN SECOND QUARTER. PRESS COVERAGE AND OFFICIAL STATEMENTS OF LAST FEW MONTHS, INCLUDING THOSE OF FONMIN IN PARTICULAR, HAVE EXPOUNDED AN EVEN GREATER EMPHASIS ON FOLLOWING MOSCOW'S LEAD. IN SECOND QUARTER PARTY AND GOVERNMENT HAVE WITH

INCREASING SPECIFICITY CALLED FOR AN EARLY CONFERENCE OF EUROPEAN PARTIES AND WITH LESS SPECIFICITY FOR A SUBSEQUENT WORLD PARTY CONFERENCE, EVENT THOUGH WE BELIEVE HUNGARIANS TO BE LESS THAN ENTHUSIASTIC ABOUT PROSPECTS OF EITHER. THEY ALSO ARE STRONGLY ECHOING MOSCOW'S CRITICISM OF CHINESE.

IN APRIL KADAR MADE A HIGHLY PUBLICIZED VISIT TO CZECHOSLOVAKIA, REPORTEDLY TO DEMONSTRATE PARTY'S FIRM ADHERENCE TO WP AND ORTHODOX MARXIST PRINCIPLES. PARADE OF VISITORS TO BUDAPEST DURING QUARTER INCLUDED YUGOSLAV PRESIDENT TITO, FRG AND ITALIAN FOREIGN MINISTERS WALTER SCHEEL AND ALDO MORO, AND IRANIAN PRIME MINISTER HOVEYDA. FOREIGN MINISTER PUJA ALSO VISITED SYRIA IN MAY. MAXIMUM ATTENTION, HOWEVER, WAS ACCORDED TOMONGOLIAN PARTY FIRST SECRETARY TSEDENBAL. DESPITE LAVISH, OSTENTATIOUS ATTENTION ACCORDED MONGOLIANS, JOINT COMMUNIQUE PRODUCED LITTLE OF SUBSTANCE EXCEPT FOR SOME SHARP WORDS OF CONDEMNATION OF CHICOM POLICIES. PEDERSEN

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C O N F I D E N T I A L SECTION 2 OF 2 BUDAPEST 1771

4. US-HUNGARIAN RELATIONS: US-HUNGARIAN BILATERAL

RELATIONS CONTINUE TO IMPROVE, BUT AT SLOW PACE. MOST USEFUL STEP ON OUR SIDE -- FOR ITS POLITICAL AS WELL AS ECONOMIC EFFECT -- WAS EXECUTIVE LEVEL TRADE MISSION IN APRIL CHAIRED BY OMB DEPUTY HEAD FRANK ZARB. GOH INTERPRETED VISIT AS SIGN OF SERIOUS US DESIRE TO FURTHER IMPROVE RELATIONS AND ORGANIZED TOP-LEVEL CONTACTS FOR HIM AND MISSION ONROUGHOUT GOVERNMENT. GOH CONTINUES TO COMMENT UPON THAT EFFORT WITH HIGH PRAISE, AND IT IS IMPORTANT FOR US TO FOLLOW IT UP WITH FURTHER CONCRETE STEPS AMONG THOSE RECOMMENDED WHEN MISSION LEFT. IN LATE JUNE RESTRICTIONS ON TRAVEL BY OFFICIALS OF BOTH COUNTRIES WERE RELAXED, REMOVING ANHXZRPWJW#AND AN ADMINISTRATIVE BURDEN ON BOTH SIDES. CONFIDENTIAL

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QUARTER SAW NO CONCRETE MOVEMENT TOWARD A CULTURAL AND EDUCATIONAL AGREEMENT, BUT WE ARE INFORMED THAT GOVERNMENT HAD AGAIN DECIDED TO GO AHEAD AND NEGOTIATE AN AGREEMENT. APPARENTLY DETAILS ARE STILL BEING WORKED

OUT BETWEEN FOREIGN OFFICE AND INSTITUTE OF CULTURAL RELATIONS, AND WE NOW EXPECT NEW TEXT IN JULY. MEANWHILE, GOVERNMENT HAS ACQUIESCED IN EXPANSION OF CULTURAL PROGRAMS IN RESIDENCE, COOPERATED IN PROVIDING US A NEW LIBRARIAN FOR USIS LIBRARY, AND ACCEPTED FOR FIRST TIME A USG-SPONSORED CULTURAL PROGRAM -- ALVIN AILEY DANCERS. PROSPECTS FOR IMPROVEMENT IN THIS AREA, THEREFORE, SEEM TO HAVE BEEN UNDIMINISHED BY CC MEETING. OVERALL ATTITUDE OF HUNGARY TOWARD US WAS EXPRESSED IN PARLIAMENT IN APRIL DURING FOREIGN MINISTER'S MAIDEN SPEECH. HE CHARACTERIZED SLOWDOWN IN IMPROVEMENT OF RELATIONS WITH US AS BEING DUE TO FACTORS ON OUR SIDE AND SAID THEY WERE READY FOR "COMPLETE NORMALIZATION" OF RELATIONS. LESS HELPFULLY, IN ANOTHER ARTICLE HE WROTE TENDENTIOUSLY ABOUT VIETNAM AND WITH CONSIDERABLE IDEOLOGICAL FERVOR ON ALL SUBJECTS. AT SAME TIME HUNGARIANS CALL FOR FULL COORDINATION OF HUNGARIAN FOREIGN POLICY -- ALREADY FULLY COORDINATED -- WITH THAT OF SOVIET UNION HAVE INCREASED, FROM FOREIGN MINISTER AND PARTY AS WELL.

5. VIETNAM: GOH POLICY IN ICCS CONTINUES TO BE BIASED AND OBSTRUCTIONIST, AND OUR INTERVENTIONS HAVE HAD NO

DISCERNIBLE EFFECT. GOH CONTINUES TO ASSERT, HOWEVER, ITS POLICY COMMITMENT TO A "PEACEFUL SOLUTION BY POLITICAL MEANS"; PARTY RECENTLY RESTATED HUNGARY'S INTENTION TO REMAIN IN ICCS, AND HUNGARY ASSERTS ITS FIRM ADHERENCE TO PARIS AGREEMENTS. IT CONTINUES TO WITHDRAW FROM ICCS SITES, HOWEVER, CLAIMING IT IS NECESSARY FOR SECURITY REASONS. THERE IS NO REASON TO THINK THERE WILL BE ANY IMPROVEMENT IN HUNGARIAN POLICY IN THIS AREA. MINIMUM CONTINUATION OF THEIR PRESENCE IN ICCS WOULD SEEM TO BE THEIR BROAD OBJECTIVE, PARTLY BECAUSE THEIR ROLE IN DRV/PRG SIDE ALSO PRESENTS THEM WITH DIFFICULTIES. ONLY A CHANGE IN SOVIET POLICY LIKELY TO CHANGE THEIR APPROACH. HUNGARIAN PRESS  
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CONTINUES TO CARRY PRG AND DRV CHARGES OF US VIOLATIONS OF PARIS AGREEMENTS, AND BOTH IN PRESS AND IN SOME GOVERNMENT STATEMENTS THERE WERE INCREASING DIRECT CRITICISMS OF US SUPPORT OF RVN. EMBASSY HAS EXERTED INFLUENCE AGAINST SUCH CRITICISM, THE INCREASE OF WHICH SEEMED TO BE A BY-PRODUCT OF HUNGARY'S OWN PROBLEMS WITHIN ICCS.  
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